

State Retirement System Urges TERI Members to Watch Mail for Important Information About Refunds

June 15, 2006

The South Carolina Retirement System is working to make sure it has updated mailing addresses for all members of the Teacher and Employee Retention Incentive (TERI) plan who are entitled to refunds in the wake of a recent court ruling.

Workers who joined TERI before July 1, 2005 will have their employee contributions refunded with interest in two payments this summer. SCRS has also instructed all employers to cease withholding contributions for this group of TERI members. About 14,000 current and former TERI workers are eligible for refunds.

Participants who believe they qualify for a refund should watch the mail for a letter from the SCRS explaining the procedure. Failure to receive a letter may mean the system does not have a current mailing address for members who have moved recently and will not be able to deliver refund checks.

If an eligible participant does not receive a letter by the end of next week, they should contact SCRS customer service at (803) 737-6800, toll free at (800) 868-9002, or via email at cs@retirement.sc.gov. The call center will verify whether SCRS has the correct address for the individual and if they are due a refund. Address changes must be made in writing to SCRS.

The first refund check will be for contributions withheld from July 1, 2005 through March 31, 2006 and will include four percent interest. That check will be mailed by June 30, 2006. If the member had TERI contributions withheld after March 31, 2006, they will receive a second check that will be mailed by September 1, 2006. That check will include 11.25 percent interest.

Last month, the South Carolina Supreme Court ruled that workers who entered the TERI plan before July 1, 2005 could not be assessed the 6.25 percent employee contribution rate that is paid by other workers. These refunds do not apply to non-TERI retirees who went back to work for a public entity before July 1, 2005.

Two checks are being issued because of the way the retirement system receives contribution data. State agencies, local governments and school districts report information for specific individuals on a quarterly basis. Refunds for contributions received for April through June cannot be issued until all data is received.

The refunds will have tax consequences for members. The refund will be taxable income and is subject to federal income tax withholding of 10 percent. If a member does not want to have this 10 percent withheld, the member may return the check with a letter stating that he does not want withholding taken out of the check and the check will be reissued without the withholdings. State withholding is not required on this payment; however, the member will be required to report this refund for South Carolina income tax purposes.

The refund is a return of an improper contribution and is therefore not eligible for rollover into an individual retirement account.

SCRS encourages everyone to periodically check its website at www.retirement.sc.gov for any additional information about the refunds.